

## **Remarks**

This is responsive to the Office Action mailed January 4, 2010. The remarks do not contain new matter. Absent the requested reconsideration, there are unresolved factual issues that must be addressed before it can be said that this case is in condition for appeal.

## **Rejection Under 35 U.S.C. 103**

Claims 1-5, 8, 19, 20, 24, 25, 32, 37, and 39 stand rejected as allegedly being unpatentable over Chung (US 6,628,963) in view of Kawakami (US 7,266,202) and Lewis (US 2003/0040962). Applicant respectfully traverses the rejections and seeks reconsideration.

Applicant respectfully reiterates that independent claim 1 features at least in pertinent part *storing...non-encoded entertainment media that is not encoded with any authorized usage condition... and after the storing step...encoding the portable digital storage module with access instructions defining a prescribed authorized usage condition of the stored non-encoded entertainment media.*<sup>1</sup> Claim 1 plainly features an encoding step that encodes the module to define a usage condition without encoding the stored non-encoded entertainment media.

The Office's rationale for the rejection is that Kawakami allegedly teaches the featured storing of claim 1:

In an analogous art, Kawakami discloses a content delivery system (See Fig. 1) wherein non-encoded digital content is downloaded onto a portable media player....<sup>2</sup>

However, contrary to the Office's rationale, Applicant has shown in the record that the skilled artisan having read Kawakami understands that it explicitly discloses encoding the

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<sup>1</sup> Applicant's Response of 9/10/2009 ppg. 11-12 (emphasis added).

<sup>2</sup> Office Action pg. 3 (emphasis added).

content with usage information. That is, the data it stores to a portable device encodes the content with header information that includes authorized usage condition information:

A data to be transferred to the portable device 6 is composed of a header and content. The header stores a content ID, file name, header size, content key, file size, codec ID, file information, etc. and also a playback limitation data, start date, end date, playback limit, playback counter, etc., necessary for the playback limitation. It should be noted here that the term "date" used herein refers to a date and time. The content is coded by the encoding method such as ATRAC3 and encrypted.<sup>3</sup>

None of the passages cited by the Office, or any other passages, teach or suggest anything contrary to the fact that Kawakami encodes the content with usage information.<sup>4</sup> The Office's statement in the passage above that "Kawakami discloses...non-encoded digital content is downloaded onto a portable media player..." is a misplaced characterization of what Kawakami actually teaches.

The Office's rationale then goes on to assert that Kawakami teaches the *after the storing..encoding* feature of claim 1:

Kawakami discloses...a programmable controller is programmed with access instructions corresponding to a predefined limit of authorized playing of the entertainment media are (Fig. 3; column 8, lines 11-23 and column 12, lines 50-55)....<sup>5</sup>

The passages the Office relies on disclose the data (header and content) being stored to a portable device, and played back under the control of the CPU 53. However, the skilled artisan

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<sup>3</sup> Kawakami col. 10:32-40 (emphasis added); see Applicant's Response of 9/10/2009 pg. 12.

<sup>4</sup> In fact, some of the passages cited by the Office explicitly disclose encoding the content with usage data: "The personal computer 1 records also, for an encrypted and recorded content, a usage rule according to which the content is to be used. (Kawakami col. 6:32-34 emphasis added); "The portable device 6-1 stores the content supplied from the personal computer 1 (ie., a checked-out content) along with data related with the content (e.g., title or playback limit of each music piece) (Kawakami col. 8:11-14, emphasis added).

<sup>5</sup> Office Action pg. 3.

having read Kawakami understands that the only usage instructions the CPU 53 receives are those in the encoded content of data transfers. For example:

A USB controller 57 is provided in the portable device 6. When connected to the personal computer 1 by a USB connector 56 and USB cable 7, the USB controller 57 will supply data including a content transferred from the personal computer 1 to the CPU 53 via an internal bus 58.<sup>6</sup>

As discussed above, the “data including a content” refers to the data as having been defined as the header and the content (encoded content), the header providing the usage condition. None of the passages cited by the Office, or any other passages, teach or suggest anything contrary to the fact that Kawakami supplies the already encoded content to the CPU 53. Accordingly, the Office tacitly admits that Kawakami does not teach or suggest the *after the storing...encoding* feature of claim 1.

In an attempt to cure the deficiency of Kawakami, the Office points to Lewis:

Additionally, in an analogous art, Lewis discloses...the access instructions are recorded after the content is downloaded into the storage device (paragraphs 35, 203, and 254) for the typical benefit of allowing other distribution methods to be utilized by pre-recording the content onto the recording medium prior to rental or purchase by the user (paragraph 35, 203, and 254).<sup>7</sup>

However, contrary to the Office’s stated rationale, the skilled artisan having read Lewis understands that it does not teach or suggest at least the *after the storing...encoding* feature of claim 1. Paragraph 35 of Lewis discloses the Audio/Video Processor Recorder-player (“VPR/DMS”) residing in the non-movable storage device<sup>8</sup> can receive content without

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<sup>6</sup> Kawakami col. 10:23-27 (emphasis added).

<sup>7</sup> Office Action pg. 3 (emphasis added).

<sup>8</sup> E.g. non-movable storage device 4, 14.

restriction from the Account-Transaction Server ("ATS"). However, the VPR/DMS encodes the content whenever storing it to a portable device.<sup>9</sup> For example:

Another aspect of the present invention is the capability of downloading data products to portable media. The invention is capable of storing, processing, and playback of data products which have been pre-recorded onto any type of portable storage device. In a "commercial based" embodiment a merchant (or distributor), such as BLOCKBUSTER VIDEO may employ a VPR/DMS in a commercial establishment to receive data, edit it customer's User Suitability Criteria, and instantly record the edited version on a portable storage device which then is sold or rented. This enables the merchant to thereby reduce his standing inventory for a given title, yet enables him to retain the data as originally received and produce as many copies as current demand allows.<sup>10</sup>

Neither paragraph 35 of Lewis nor any other passage teaches or suggests storing content without usage restriction in the memory of a portable storage device as featured by claim 1.

The Office also points to paragraph 203, which also discloses the VPR/DMS and/or ATS maintaining control of the User Suitability Criteria, but does not teach or suggest storing content without usage restriction in the memory of a portable storage device as featured by claim 1.

Finally, the Office also points to paragraph 254 which explicitly states that pre-recorded portable devices function identically as the non-pre-recorded embodiments with regard to the VPR/DMS. In fact, in the next paragraph Lewis clearly discloses that such pre-recorded portable media are encoded at the time of recording the content:

In addition to the system's capabilities for downloading data products to portable media which have been received directly by end-user via broadcast signal or other data transmission means, the VPR/DMS of the present invention is capable of storing, processing, and playback of data products (i.e., movies, computer games, etc.) which have been pre-recorded\* onto any type of portable storage

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<sup>9</sup> E.g. Lewis para. [0260].

<sup>10</sup> Lewis para. [0046] (emphasis added).

device (CD, DVD, VHS tapes, etc.) in unique recording/playback formats adapted for use by VPR/DMS recorder/players as described previously. In this embodiment of a commercial based VPR/DMS system all unique VPR/DMS functions as previously described for uses with portable storage devices would be identical, except that the recording of the data product would occur prior to rental or purchase of pre-recorded portable storage device by end-user.

Additionally, the recording process might include all other unique formatting techniques previously described including (some or all) copy protection, embedded control data, product identification data, consumer identification data, transaction/account data, rental/purchase transaction data, multi-formatted data, and all other formatting methods previously described for controlling all rental/purchase functions as well as unique record/playback functions enabled by the invention.<sup>11</sup>

Lewis goes on to explicitly disclose the usage condition being stored either before or during the time the content is “pre-recorded” to the portable media:

In this way a data product provider/distributor can format and record a movie (for example) according to specific user suitability criteria provided by the customer, or otherwise customized to conform to various pre-selected criteria known to be popular or suitable for various customer groups such as based on ratings, or price based on sophistication of user playback options as formatted and recorded on the DVD, VHS tape, C.D., etc. To allow this commercial operation, similar to functions described for direct delivery of data programs to end-user system, the commercial based VPR/DMS would receive bulk data products (movies for example) via broadcast or other data transmission from content providers (i.e., Internet, etc.) for storage within its commercial VPR/DMS, preferably stored on a built-in non-movable storage device such as a high capacity HDD. Subsequently, a retailer (for example) can download a customized version of a data product (movie, etc.) onto a highly formatted, copy protected VPR/DMS portable storage device for sale or rental to customers for use on their VPR/DMS systems. All functions for negotiating rental and purchase transactions as previously described for direct transmission to home-based VPR/DMS

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<sup>11</sup> Lewis paras. [0254-0255] (emphasis added).

systems are equally effective for rental or purchase of pre-recorded data products as described above. However, alternatively to automatic "return" of data products (i.e., erasure, scrambling, etc.) customers may be required to physically return a pre-recorded VPR/DMS data product for subsequent resale, re-rental, or erasure by retailer or product distributor...Additionally, for use by commercial product distributors or by end-users, "blank" VPR/DMS portable storage media (i.e., CD, DVD, VHS, etc.) can be produced which have been formatted at the factory or distributor level to include unique VPR/DMS control data and product information data (as described above) for customizing data products, for maximizing unique VPR/DMS recording, processing, and playback functions, or other for use in controlling all rental/purchase transactions described previously.<sup>12</sup>

None of the passages cited by the Office, or any other passages, teach or suggest anything contrary to the fact that Lewis encodes the portable media either before recording the content or simultaneously to recording the content, but not after recording the content as claimed. The Office's statement in its rationale excerpted above that "Lewis discloses...access instructions are recorded after the content is downloaded..." is a misplaced characterization of what Lewis actually teaches.

KSR left untouched the requirement that a teaching for each claim limitation must be shown in the prior art in order to substantiate a *prima facie* case of obviousness.<sup>13</sup> As set forth above, the Office has failed to substantiate evidence that the cited references teach at least *storing...non-encoded entertainment media that is not encoded with any authorized usage condition...and after the storing step...encoding the portable digital storage module with access instructions defining a prescribed authorized usage condition of the stored non-encoded entertainment media* as featured by claim 1. In the absence of evidence that the cited references

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<sup>12</sup> Lewis paras. [0256-0258] (emphasis added).

<sup>13</sup> *In re Royka*, 180 USPQ 580 (CCPA 1974); *In re Ochiai*, 71 F.3d 1565, 1572 (Fed. Cir. 1995); *In re Wilson*, 165 USPQ 494, 496 (CCPA 1970); MPEP 2143.03; MPEP 2141.

teach all the features of the rejected claims, the Office has also failed to bridge that gap in the teachings of the cited references by not articulating sound reasoning as to why the skilled artisan would find the differences between the claimed subject matter and what the cited references teach to be obvious.

Notwithstanding the lack of *prima facie* obviousness for the reason that the prior art does not teach all the claimed features, in making a case for obviousness the Office also has the burden of substantiating evidence that the requisite motivation exists for the skilled artisan to combine and/or modify the cited references to arrive at the claimed invention. In assessing whether a case has been made, the obviousness rejection must be evaluated in view of the *Graham*<sup>14</sup> factors: (a) determining the scope and content of the prior art; (b) ascertaining the differences between the claimed invention and the cited references; and (c) resolving the level of ordinary skill in the pertinent art.<sup>15</sup>

The Supreme Court in *KSR* recently clarified that the *Graham* analysis is indeed the legal touchstone to determining obviousness.<sup>16</sup> The *KSR* Court reasoned that there must be “some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.”<sup>17</sup> Here, as above, the Office’s stated reasoning relies on the misplaced characterization of what Lewis actually discloses:

Additionally, it would have been obvious...to modify Chung and Kawakami’s system to include encoding the portable digital storage module with access instructions after the storing step is completed, as taught in combination with Lewis, for the typical benefit of allowing other distribution methods to be utilized by pre-recording the

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<sup>14</sup> *Graham v. John Deere*, 383 US 1 (1966).

<sup>15</sup> See MPEP 2141.

<sup>16</sup> *KSR International Co. v. Teleflex Inc.*, 82 USPQ2d 1385 (2007).

<sup>17</sup> *KSR* at 1396, quoting *In re Kahn*, 78 USPQ2d 1329 (Fed. Cir. 2006).

content onto the recording medium prior to rental or purchase by the user.<sup>18</sup>

The only reasonable conclusion is that the Office's stated reason for the combination is lacking the requisite rational underpinning to support any legal conclusion of obviousness, because it is not factually substantiated but is rather merely an erroneous statement based upon a misplaced characterization of what Lewis actually teaches or suggests. Lacking the requisite legal reasoning, the Office's rejection fails to pass muster under *Graham* because ultimately it has the effect of being based entirely upon an impermissible hindsight reconstruction of the claimed embodiments. Given the subtle but powerful attraction of a hindsight-based obviousness analysis, a rigorous application of the requirement of an evidentiary basis for the rejection must be followed.<sup>19</sup>

Therefore, the Office has failed to show *prima facie* obviousness by failing to substantiate evidence that the prior art teaches all the features of claim 1, and notwithstanding that by failing to objectively show that the skilled artisan would be motivated to combine and/or modify the cited references to arrive at the claimed invention. Applicant therefore respectfully requests reconsideration and withdrawal of the rejection of claim 1 and the claims depending therefrom. Absent the requested reconsideration, the fact that the Office's rationale repeatedly relies on misplaced characterizations of Kawakami and Lewis leaves unresolved factual issues that must be addressed before it can be said that this case is in condition for appeal.

### **Rejection Under Section 103**

Claims 9 and 15 stand rejected as allegedly being unpatentable over Chung in view of Katayama (US 6,651,212), Kawakami, and Lewis.

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<sup>18</sup> Office Action pg. 4 (emphasis added).



Independent claim 9 recites the “after the storing...encoding” subject matter discussed above for claim 1 in terms of *a controller...to respond to access instructions that are encoded to the digital storage module... after the non-encoded entertainment media has been stored to the memory...to playback the non-encoded entertainment media in accordance with a prescribed authorized usage condition.*

For the reasons set forth above, Chung, Kawakami, and Lewis do not – neither alone nor in combination – teach or suggest at least the *access instructions that are encoded...after the non-encoded entertainment media has been stored to the memory* featured by claim 9. Again, these references teach encoding the access instructions before and simultaneously with the storing the non-encoded entertainment media, but not after as claimed. Katayama, which does not teach encoding access instructions at all, does not cure the deficiency of Chung, Kawakami, and Lewis in this regard.

Therefore, the Office has failed to show *prima facie* obviousness by failing to substantiate evidence that the prior art teaches all the features of claim 9, and notwithstanding that by failing to objectively show that the skilled artisan would be motivated to combine and/or modify the cited references to arrive at the claimed invention. Applicant therefore respectfully requests reconsideration and withdrawal of the rejection of claim 9 and the claims depending therefrom. Absent the requested reconsideration, the fact that the Office’s rationale repeatedly relies on misplaced characterizations of Kawakami and Lewis leaves unresolved factual issues that must be addressed before it can be said that this case is in condition for appeal.

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<sup>19</sup> *In re Dembiczak*, 175 F.3d 994, 999 (Fed. Cir. 1999).

### **Rejection Under Section 103**

Claims 11-14 stand rejected as allegedly being unpatentable over Chung, Katayama, Kawakami, Lewis, and further in view of Gibson. Gibson fails to cure the deficiency of the other references in the rejection of the independent claim from which these claims depend. These claims are thereby allowable at least because they depend from an allowable independent claim, for reasons above, and recite additional features. Applicant respectfully requests reconsideration and withdrawal of the rejection of these claims.

### **Rejection Under Section 103**

Claims 26 and 38 stand rejected as allegedly being unpatentable over Chung and Kawakami, Lewis, and further in view of Downs. As addressed above, Downs fails to cure the deficiency of the other references in the rejection of the independent claim from which these claims depend. These claims are thereby allowable at least because they depend from an allowable independent claim, for reasons above, and recite additional features. Applicant respectfully requests reconsideration and withdrawal of the rejection of these claims.

### **Conclusion**

This is a complete response to the Office Action mailed January 4, 2010. Applicant respectfully requests the passage of all the pending claims to allowance.

Applicant has also submitted herewith a request for telephone interview. Absent the requested reconsideration, the interview is necessary to address the unresolved issues presently making this case not in condition for appeal.

The Office is invited to contact the undersigned should any questions arise concerning this response or any other matter in this case.

Respectfully submitted,

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